



REPORT BY THE  
DEPARTMENT OF FISH & GAME  
AUDITS BRANCH

WA-07-17

INTERNAL ACCOUNTING  
&  
ADMINISTRATIVE CONTROL AUDIT

CASH RECEIPT CYCLE

FEBRUARY 2009



## Memorandum

To: H. Carriker, Deputy Director  
Administrative Division

Date: February 27, 2009

From: Brian A. Kwake  
Department of Fish and Game

Audit Control Number  
**WA-07-17**

Subject: Audit Report – Cash Receipt Cycle

As mandated by the Financial Integrity and State Manager's Accountability Act (FISMA) and the State Administrative Manual (SAM) Section 20060, attached is the final audit report of the Department of Fish and Game's (Department) cash receipts cycle for the period August 1, 2006 through June 30, 2008. The audit was conducted under the authority of the Audit Branch's (AB) charter that established the AB as the unit responsible for conducting audits of the operating systems and programs of the Department. The audit was performed in accordance with the *International Standards for the Professional Practice of Internal Auditing* as required by the California Government Code, Section 1236.

The Department's response to the report generally agrees with our audit findings and recommendations. The AB incorporated the Department's response as Attachment A to this report.

As part of the AB's follow-up process, within six months of the date of this report, please submit a separate update to the AB on the status of the Department's corrective actions.

We would like to thank the Accounting Services Branch staff for their time and cooperation. Should you have any questions, please contact Ky Nguyen, or myself, at (916) 445-3367.

### Attachment

cc: J. McCamman  
C. Jones  
H. Kiyan  
W. Fong  
Audit File

REPORT BY THE  
DEPARTMENT OF FISH & GAME  
AUDITS BRANCH

WA-07-17

INTERNAL ACCOUNTING  
&  
ADMINISTRATIVE CONTROL AUDIT  
CASH RECEIPTS CYCLE

FEBRUARY 2009

## TABLE OF CONTENTS

	<u>Page</u>
<b>SUMMARY .....</b>	<b>1</b>
<b>PRIOR AUDIT COVERAGE .....</b>	<b>2</b>
<b>BACKGROUND .....</b>	<b>3</b>
<b>SCOPE, METHODOLOGY, AND OBJECTIVES .....</b>	<b>4</b>
<b>CONCLUSION .....</b>	<b>5</b>
<b>FINDINGS AND RECOMMENDATIONS .....</b>	<b>6</b>
FINDING 1–UNRESOLVED BANK RECONCILIATION ITEMS.....	7
<b>AUDITEE RESPONSE – ATTACHMENT A.....</b>	<b>9</b>

# SUMMARY

The Department of Fish and Game's (Department) Audits Branch (AB) performed an audit of the Department's cash receipts cycle. The audit was conducted to determine whether internal accounting and administrative controls over the cash receipts cycle are adequate, that procedures are established for collecting, safeguarding, and depositing cash receipts, cash receipt duties are clearly defined, all cash due is received and such amounts are authorized in accordance with State laws and regulations, cash receipt transactions are correctly recorded in the accounting records and accountability is maintained, and subsidiary records are reconciled with control accounts and bank statements. Our audit found the internal control structure over the cash receipts cycle to be adequate; except for unresolved bank reconciliation items.

# PRIOR AUDIT COVERAGE

On November 17, 2006, the AB issued audit report number WA-05-20 on the Department's cash receipts cycle. We followed up on all significant findings in this report and determined one prior audit finding had not been fully resolved. As discussed under the Findings and Recommendations Section of this report, this finding relates to unresolved bank reconciliation items (Finding 1).

# BACKGROUND

To ensure that State agency internal control systems are in place and operative, the Legislature enacted “The Financial Integrity and State Manager’s Accountability Act (FISMA) of 1983” (California Government Code Sections 13400 – 13407). FISMA places the responsibility for establishing and maintaining an agency’s system of internal accounting and administrative controls with the agency head. State agencies are required to review their agencies’ internal control structure every two years. Accordingly, as part of the continuing internal control audit requirement, the Department’s cash receipts cycle was selected for audit.

California Government Code (GC), Section 13403, states that the elements of a satisfactory system of internal accounting and administrative controls include:

- Proper segregation of duties to safeguard State assets;
- Limiting access to State assets to authorized personnel who require those assets in the performance of their assigned duties;
- An adequate system of authorization and record keeping to provide effective accounting control over assets, liabilities, revenues, and expenditures;
- An established system of practices to be followed in performance of duties and functions;
- Hiring qualified personnel commensurate with their responsibilities; and
- An effective system of internal review.

Per GC Section 1236, internal accounting and administrative control audits will be conducted in accordance with the *International Standards for the Professional Practice of Internal Auditing* issued by the Institute of Internal Auditors, Inc. Lastly, the Department of Finance (DOF), Office of State Audits and Evaluations (OSAE) recommends the use of its *Audit Guide for the Evaluation of Internal Controls* to meet the internal accounting and administrative control auditing requirement.

# SCOPE, METHODOLOGY, AND OBJECTIVES

The AB audited the cash receipts cycle internal accounting and administrative controls for the period August 1, 2006 through June 30, 2008. Our audit was conducted in accordance with *Governmental Auditing Standards* issued by the Comptroller General of the United States and the *International Standards for the Professional Practice of Internal Auditing* issued by the Institute of Internal Auditors.

Using the DOF-OSAE's *Audit Guide for the Evaluation of Internal Controls*, the following procedures were performed during the audit: interviews of key personnel; the completion of checklists and internal control questionnaires; identifying internal accounting and administrative controls strengths and weaknesses; the review of applicable laws and regulations; the performance of transaction testing; the analysis of supporting documents, forms, and reports; and other audit procedures as required.

The objectives of the audit were to provide the Department's management with reasonable, but not absolute, assurance that:

- Procedures are established for collecting, safeguarding, and depositing cash receipts;
- Cash receipt duties are clearly defined and adequate separation of duties exists over cash receipts;
- All cash due is received and such amounts are authorized in accordance with State laws and regulations;
- Cash receipt transactions are correctly recorded in the accounting records and accountability is maintained; and
- Subsidiary records are reconciled with control accounts and bank statements.



# CONCLUSION

In our opinion, the Department has properly supported cash receipts cycle transactions for the period August 1, 2006 through June 30, 2008. The internal accounting and administrative control structure over the cash receipts cycle at June 30, 2008, taken as a whole, was sufficient to meet the objectives stated above insofar as those objectives pertain to the prevention or detection of errors or irregularities in amounts that would be material in relation to the processing of transactions within the cash receipts cycle, except for the weakness described in the Findings and Recommendations Section of this audit report.

---

Brian A. Kwake, Chief  
Audits Branch

February 27, 2009

Audit Staff: Ky Nguyen

# **FINDINGS AND RECOMMENDATIONS**

# FINDINGS AND RECOMMENDATIONS

## FINDING 1 UNRESOLVED BANK RECONCILIATION ITEMS

A review of the Department's March 2008 general checking account bank reconciliation disclosed that the Department has not resolved items totaling \$ 4,270,432.97. This balance represents the aggregate difference between the cash balance per the State Treasurer's Office (STO) and the cash balance per the Department's accounting records – the California State Accounting and Reporting System (CALSTARS) - as of March 31, 2008. Some reconciliation items dated back to January 2006. The reconciling items are mostly deposit activities which caused the gap between the adjusted STO cash credit balance of \$ 360,058.70 and the Department's CALSTARS credit cash balance from all funds in the amount of \$ 4,630,491.67. The worksheets used to reconcile these items do not provide enough details to explain the variances.

The State Administrative Manual (SAM) Section 7923, requires Departments to reconcile general cash (checking) accounts with the Treasurer's bank balance, adjusted for deposits in transit, outstanding checks, and other reconciling items. SAM Section 7901 further requires reconciliations will be prepared monthly, within 30 days of the preceding month, with the exception of property reconciliations.

Failure to perform the reconciliations correctly and promptly may result in the misstatement of asset, liability, revenue and expenditure balances, and may prevent the early detection of errors and irregularities.

### RECOMMENDATION

We recommend the Department research and resolve the \$4,270,432 general checking account reconciliation variance. For future reconciliations, the Department should keep more details of the variance resolutions, such as its origin, date and nature of the discrepancy, and actions taken to resolve the variances, if any. Also, the Department needs to be assured that they are not overdrawn on checks issued as there is a credit cash balance as of March 31, 2008.

Department  
Response:

ASB agrees with the finding and recommendation. All bank reconciling items including the variance were researched and resolved prior to the close of the 07/08 fiscal year. Procedures have been implemented to improve the documentation of discrepancies and steps have been taken to resolve bank reconciling items. ASB will continue to research and resolve all bank reconciling items within the requirements of the State Administrative Manual.

AB Comments:

The ASB's response satisfactorily addresses our recommendation.

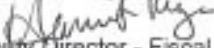
# **ATTACHMENT A**

## **AUDITEE RESPONSE**

## Memorandum

February 17, 2009

To : Brian A. Kwake, Chief  
Audits Branch

From : Harriet Kiyan   
Assistant Deputy Director - Fiscal  
Department of Fish & Game

Subject : Internal Accounting and Administrative Control Audit Response

We appreciate the opportunity to respond to the Audit Report dated December 10, 2008, regarding the Internal Accounting and Administrative Control Audit - Cash Receipts Cycle. As stated in your opinion, the accounting and administrative controls, taken as a whole, were sufficient to meet its objectives.

In general, we agree with your finding and recommendation relative to the bank reconciliation item below. The Accounting Services Branch (ASB) will continue to ensure that steps are taken to resolve any remaining issues.

### Finding 1 - UNRESOLVED BANK RECONCILIATION ITEMS

#### Recommendation

We recommend the Department research and resolve the \$4,270,432 general checking account reconciliation variance. For future reconciliations, the Department should keep more details of the variance resolutions, such as its origin, date and nature of the discrepancy, and actions taken to resolve the variances, if any. Also, the Department needs to be assured that they are not overdrawn on checks issued as there is a credit cash balance as of March 31, 2008.

#### Response

ASB agrees with the finding and recommendation. All bank reconciling items including the variance were researched and resolved prior to the close of the 07/08 fiscal year. Procedures have been implemented to improve the documentation of discrepancies and steps have been taken to resolve bank reconciling items. ASB will continue to research and resolve.

all bank reconciling items within the requirements of the State Administrative Manual.

We thank you for the thorough review of the cash receipts cycle and for identifying areas for improvement. If you have any questions, or need additional information, please contact Will Fong, Chief of ASB, at (916) 653-4895.